



Truth In Taxation - Public Hearing

December 18, 2023

Ashley Eastridge, CPA, Director of Business Services

Agenda

- Background Information on School Funding
- Current FY 2024 Budget Discussion
- Levy for Taxes Payable 2024
- Public Comment



Agenda Items: Background on School Funding

Why have a Truth in Taxation meeting?

Minnesota State Law Requirements:

A Public Meeting...

- Held between November 25th and December 28th
- At 6:00 PM or later
- May be part of regularly scheduled meeting
- Must allow for public comments
- May adopt final levy at the same meeting

...and Presentation of:

- Current year budget
- Proposed property tax levy

Funding is Highly Regulated

State of MN Sets:

- Formulas which determine revenue; most revenue based on specified amount per pupil.
- Tax policy for local schools.
- Maximum authorized property tax levy.
 - Districts can levy less, but not more than amounts authorized by state, unless approved by voters in November.

The State also authorizes school boards to submit referendums for operating and capital needs to voters for approval.

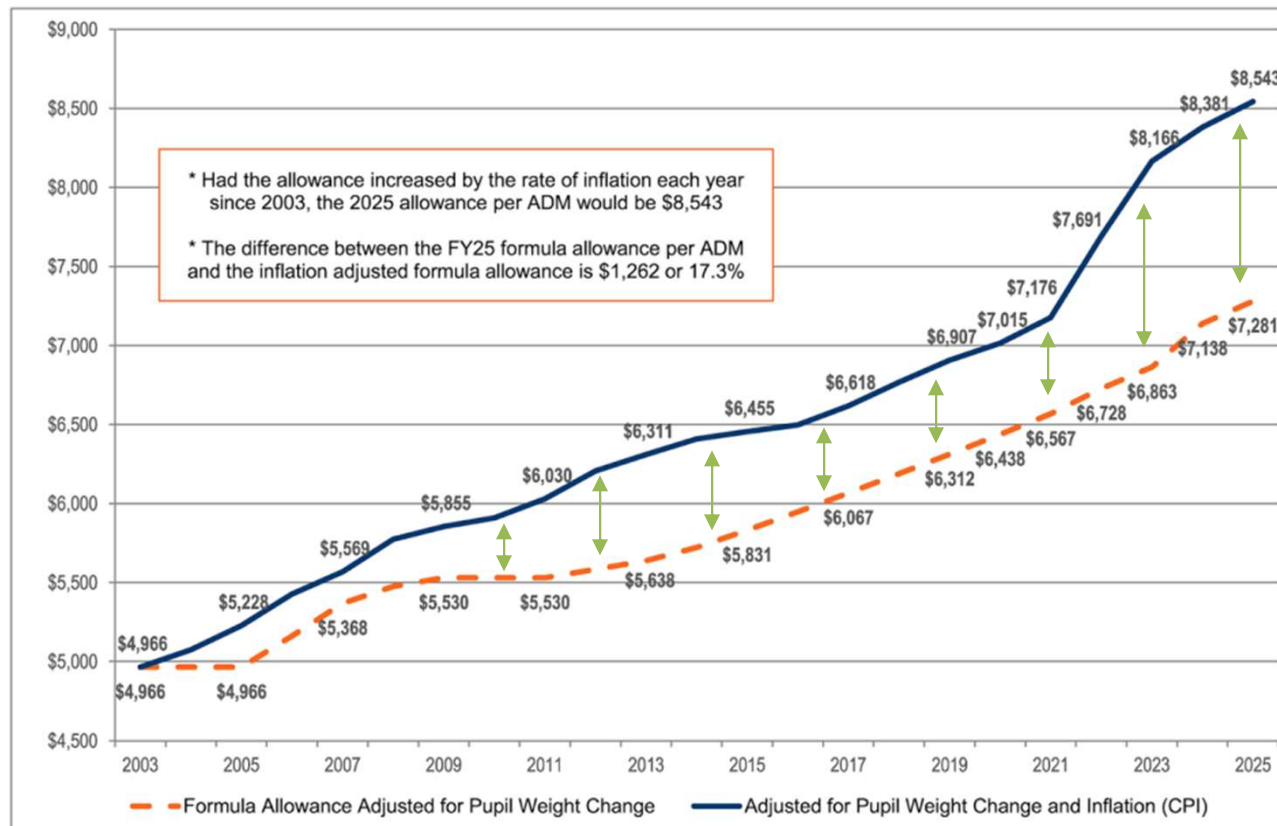
Basic General Education Formula Lags Inflation

- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2022-23, an increase of 2% or \$135 per pupil over previous year was approved.
- For Fiscal Year 2023-24, an increase of 4% or \$275 per pupil over previous year was approved.

Per-pupil allowance for Fiscal Year 2023-24 of \$7,138 would need to be increased by another \$1,243 (17.4%) to have kept pace with inflation since 2002-03, resulting in an allowance of \$8,381.

General Education Formula Allowance, 2003-2025

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE December 2022 Inflation Estimates and Minnesota Laws 2023

Underfunding of Special Education

According to MN Department of Education (MDE)

FY2022 costs of providing programs were underfunded statewide by \$713 million

By FY2027 costs of providing programs statewide will be underfunded by \$409 million



Primary options to bridge funding gap are to cut regular program budgets or increase referendum revenue

2023 Legislative education bill increased funding for SPED cross-subsidy to 44% for FY24-26 (previously 6.43%) and 50% for FY27 and beyond. Despite the increase a funding gap still exists.

Change in Tax Levy does not Determine Change in Budget



Tax Levy is based on many state-determined formulas plus voter approved referendums



Some increases in tax levies are revenue neutral, offset by reductions in state aid



Expenditure budget is limited by state-set revenue formulas, voter-approved levies and fund balance



An increase in school taxes does not always correlate to an equal increase in budget



Agenda Item: Current FY2024 Budget Discussion

Budget Information

School district budgets are divided into separate funds, based on purposes of revenue, as required by Governmental Accounting Standards Board (GASB).

Our District's Funds:

- General
- Food Service
- Community Service
- Building Construction
- Debt Service
- OPEB Debt Service
- OPEB Trust Fund

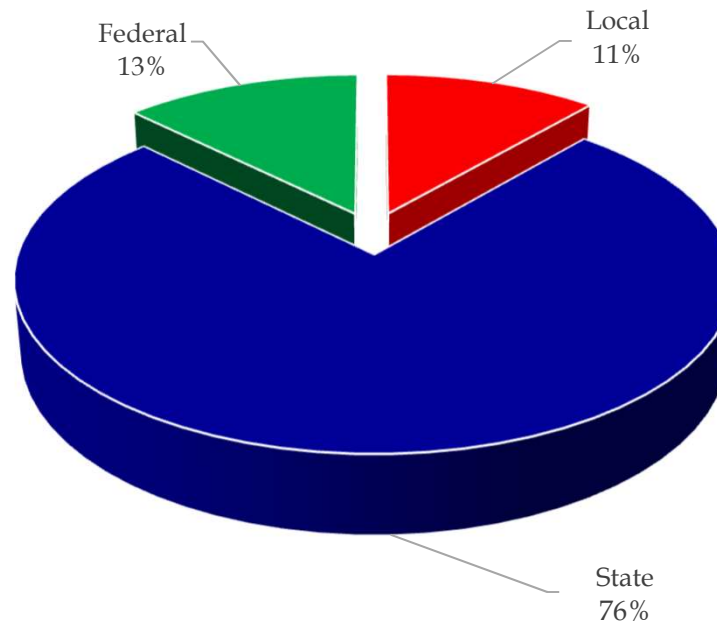
2024 Preliminary Budget

Detailed Budget Book available on the district website: www.bemidji.k12.mn.us

Fund	Revenues	Expenses	Net
General	\$79,250,731	\$77,043,365	\$2,207,366
Food Service	\$4,268,751	\$4,478,350	(\$209,599)
Community Education	\$2,478,860	\$2,616,248	(\$137,388)
Building Construction	\$200,000	\$200,000	\$0
Debt Service	\$3,745,331	\$3,530,125	\$215,206
OPEB Debt Service	\$511,320	\$513,948	(\$2,628)
OPEB Trust Fund	\$407,800	\$750,000	(\$342,200)
Total	\$90,862,793	\$89,132,036	\$1,730,757

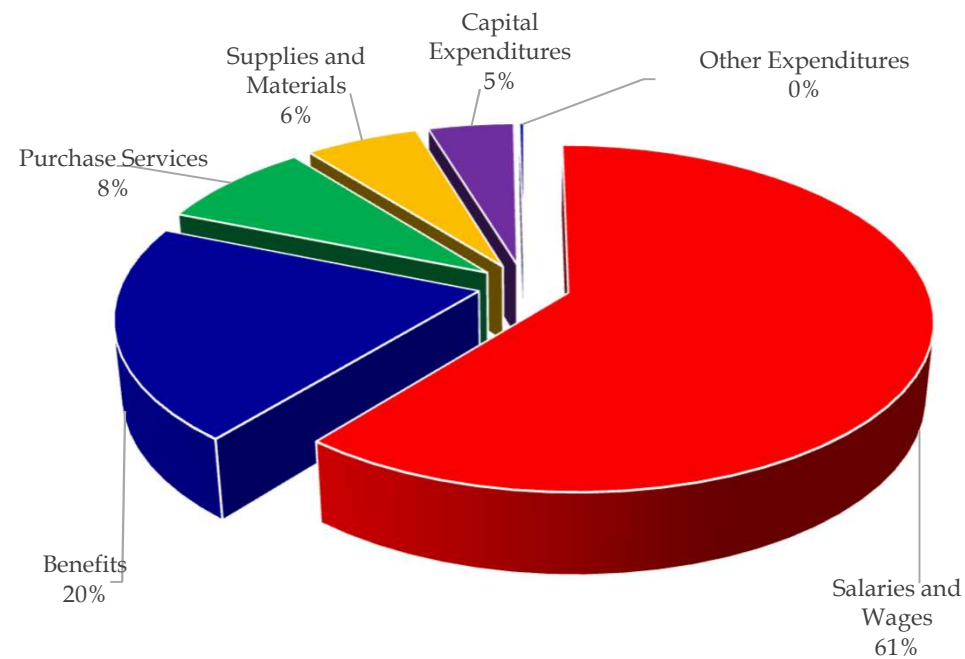
General Fund Revenue

FY24 Budget = \$79,250,731



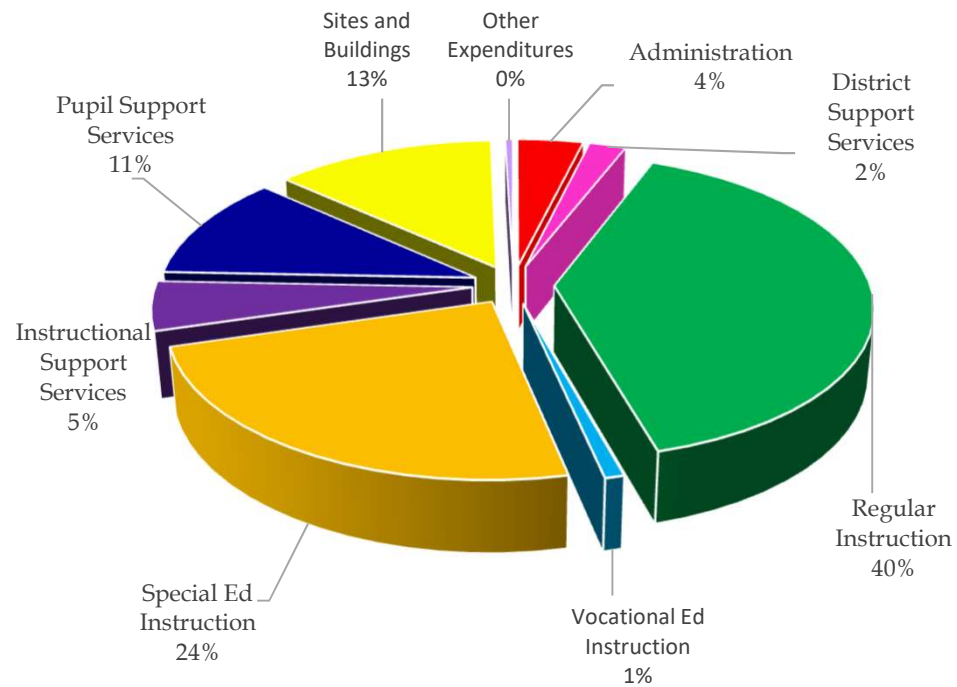
General Fund Expenses by Object

FY24 Budget = \$77,043,365



General Fund Expenses by Program

FY24 Budget = \$77,043,365





Agenda Item: Levy Taxes Payable 2024

What is the levy certification?

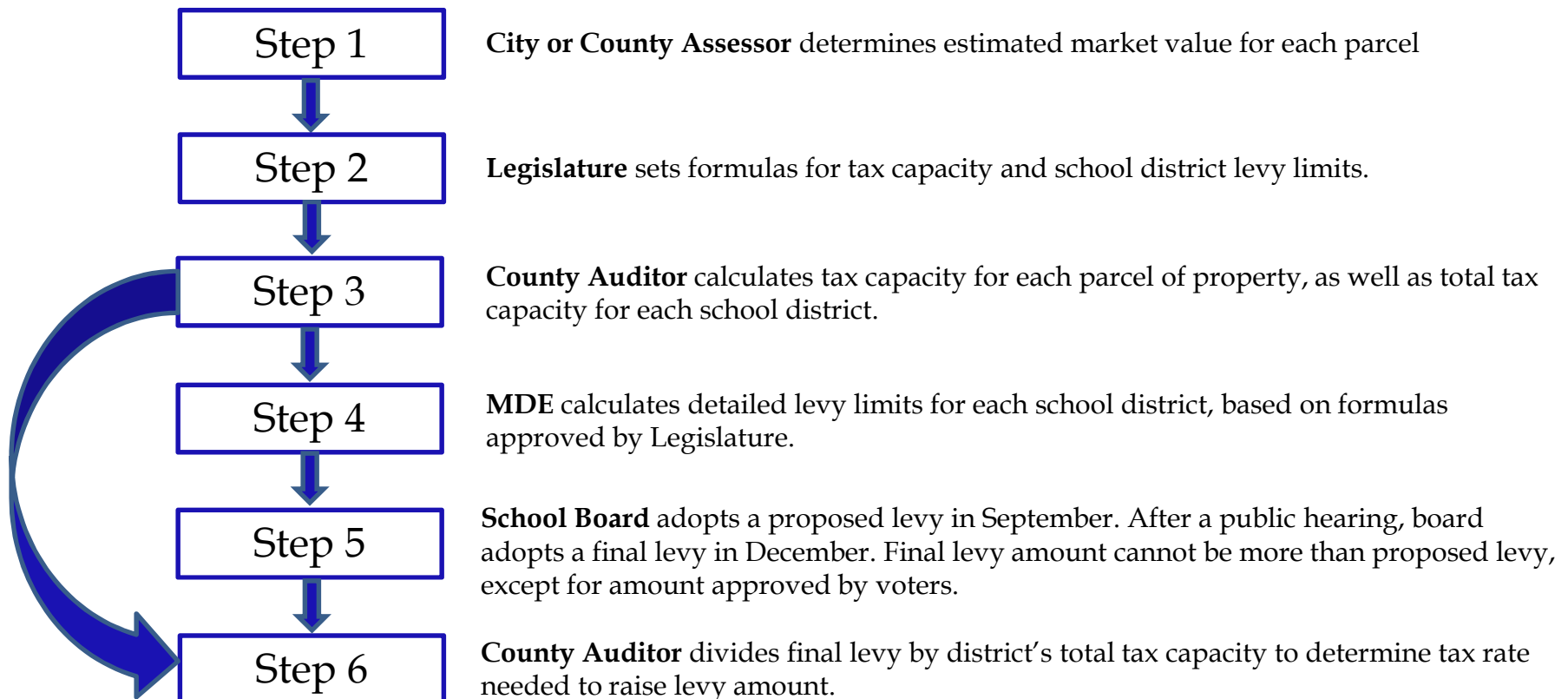
- A levy is the amount of money a school district intends to raise from property taxes in the upcoming year.
- School district levies are limited by state statute and are either based on statutory formulas or provide revenue for specific costs.
- Final levy cannot be more than preliminary levy, except for amounts approved by voters.

Property Tax Background

- **Every owner of taxable property pays property taxes to various “taxing jurisdictions” (county, city/township, school district, special districts) in which property is located.**
- **Each taxing jurisdiction sets own tax levy, often based on limits in state law.**
- **County sends bills, collects taxes from property owners and distributes funds back to other taxing jurisdictions.**
- **Other factors that may affect your individual property tax statements:**
 - Increase or decrease in assessed valuation of individual property.
 - Increase or decrease in total value of all property in the district.
 - Legislative decisions.
 - Voter-approved referendums.
 - Actions taken by other taxing entities.

School District Property Tax Process

Note: For certain levy categories, tax rates and levy amounts are based on referendum market value, rather than tax capacity



School District Property Taxes

- Each school district may levy taxes in over 40 different categories.
- Maximum levy amounts (calculated by MDE) for each category are set by:
 - State law
 - Voter approval
- **Timing**
 - Levy is set by school board in 2023
 - Paid by taxpayers in 2024
 - Revenue to the school district in the 2024-2025 school year
- **State Aid**
 - Equalization is when the state pays a portion of a school district's revenue entitlement - reducing the local levy amount.
 - State equalization percentage is greater in districts with lower property valuations.
 - Some levy categories are heavily equalized and others not at all.

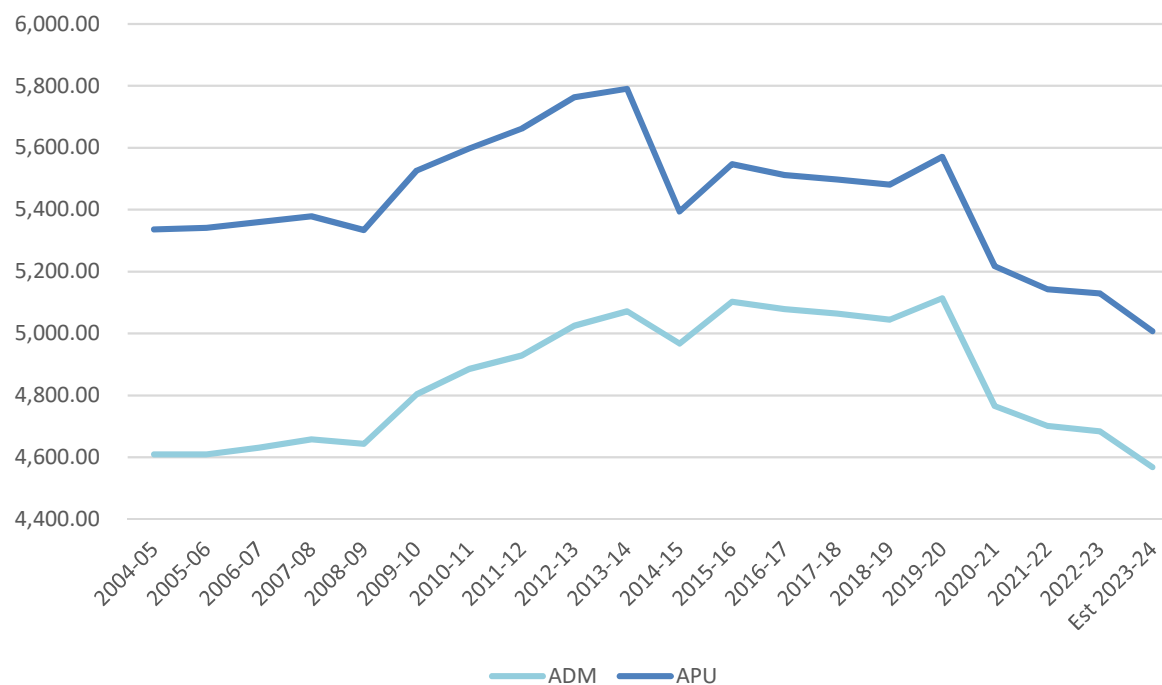
Baseline Knowledge

- **Tax Base**
 - Tax base (Adjusted Net Tax Capacity) has increased by 18.9% this year, compared to 6.2% last year and 36.2% over a four-year period
 - Growth can be a result of new construction and/or existing properties selling for more
 - Increasing values decrease the state equalization formulas causing local property taxes to rise even though this generates no additional revenue for the school district
- **Enrollment**
 - Most funding formulas are based on enrollment
 - Most funding formulas are based on ESTIMATED student counts
 - When estimated counts become actual data, adjustments are made in the levy

20 Year Trend of Average Daily Membership

ADM= Average Daily
Membership

APU = Adjusted Pupil Units



Proposed Property Tax Levy Summary by Fund

	Final Pay 2023	Proposed Pay 2024	\$ Change	% Change
General Fund (Fund 1)				
Operating Referendum	853,413	922,608	69,195	8.1%
Local Optional	3,078,425	3,287,550	209,125	6.8%
Equity	807,809	814,650	6,841	0.8%
Transition	3,314	3,332	17	0.5%
Operating Capital	442,391	525,157	82,766	18.7%
Reemployment Insurance	48,021	15,000	(33,021)	-68.8%
Safe Schools	183,564	184,522	958	0.5%
Ice Arena	103,863	-	(103,863)	-
Career & Technical	192,444	170,660	(21,784)	-11.3%
Long Term Facilities Maintenance	859,114	921,533	62,419	7.3%
Building/Land Lease	325,979	337,954	11,975	3.7%
Tree Growth	1,319	1,319	-	0.0%
<i>Adjustments and Abatements</i>	<i>(478,014)</i>	<i>(185,480)</i>	<i>292,534</i>	<i>-</i>
General Fund Total Levy	6,421,644	6,998,804	577,161	9.0%

Source: PMA Securities, LLC.

Explanation of Levy Changes

Category:

General Fund (Referendum/General)

Change:

Increase of \$577,161

Reason for
Change:

Local Optional Revenue: funding for this program is provided by a combination of state aid and levies. There was a higher levy ratio than prior year. Higher pupil units than originally estimated in prior year.

LTFM Levy: adjustments were smaller than in the previous year.

Proposed Property Tax Levy Summary by Fund

Community Service (Fund 4)

Basic Community Education	281,220	205,706	(75,514)	-26.9%
Early Childhood Education	113,984	109,859	(4,125)	-3.6%
Home Visiting	5,512	5,029	(483)	-8.8%
School-age Care	18,000	18,000	-	0.0%
<i>Adjustments and Abatements</i>	5,320	(4,129)	(9,450)	-
Community Service Fund Total Levy	424,036	334,464	(89,572)	-21.1%

Source: PMA Securities, LLC.

Explanation of Levy Changes

Category:

Community Service Fund

Change:

Decrease of \$89,572

Reason for
Change:

The equalization factor used by the state changed resulting in less total revenue funded by the levy and more funded by state aid.

Proposed Property Tax Levy Summary by Fund

Debt Service Fund (Fund 7)

Voter Approved Debt Service	3,144,882	3,144,882	-	0.0%
Non-Voter Approved Debt Service	380,938	403,214	22,276	5.8%
<i>Adjustments and Abatements</i>	<i>(74,051)</i>	<i>(283,664)</i>	<i>(209,612)</i>	-
Debt Service Fund Total Levy	3,451,768	3,264,433	(187,336)	-5.4%

OPEB Debt Service Fund (Fund 47)

Debt Service	539,068	537,682	(1,386)	-0.3%
<i>Adjustments and Abatements</i>	<i>(31,383)</i>	<i>(46,307)</i>	<i>(14,925)</i>	-
OPEB Debt Service Fund Total Levy	507,685	491,375	(16,311)	-3.2%

Source: PMA Securities, LLC.

Explanation of Levy Changes

Category:

Debt Service Fund

Change:

Decrease of \$187,336

Reason for
Change:

The District is required to levy 105% of the scheduled debt service payments so that there are enough funds available to make the bond payment, even if some taxpayers are delinquent in making their tax payments.

Collections on required debt excess in previous years reduced amount allowable to be levied in current year.

Explanation of Levy Changes

Category:

OPEB Debt Service Fund

Change:

Decrease of \$16,311

Reason for
Change:

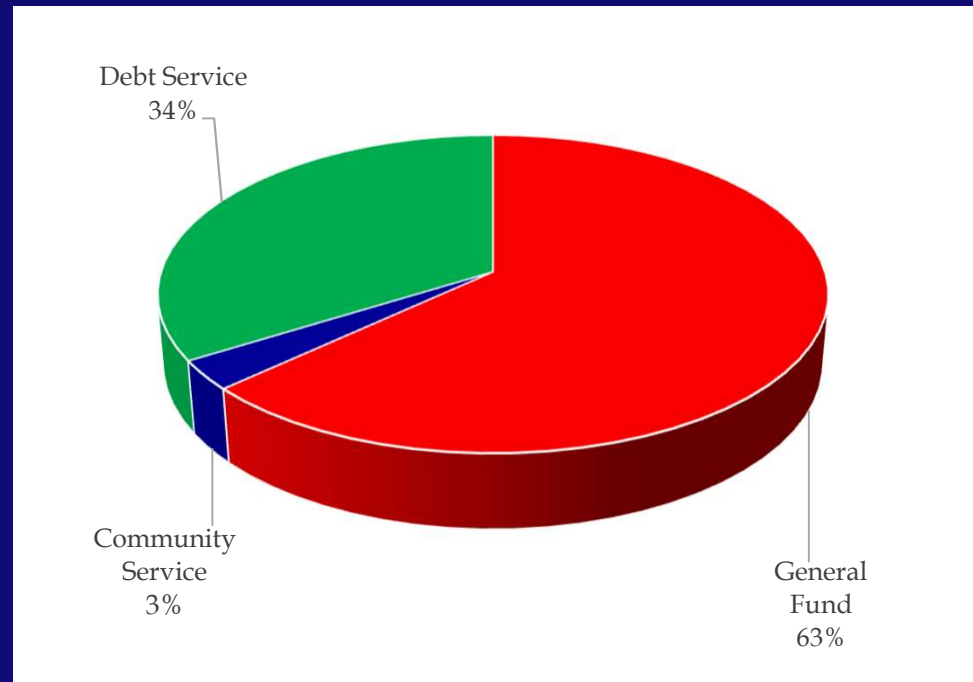
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Collections on required debt excess in previous years reduced amount allowable to be levied in current year.

Levy Snapshot

CATEGORY	AMOUNT
General Fund	6,998,804
Community Service	334,464
Debt Service	3,755,808
TOTAL LEVY	11,089,076

2.63% Levy Increase



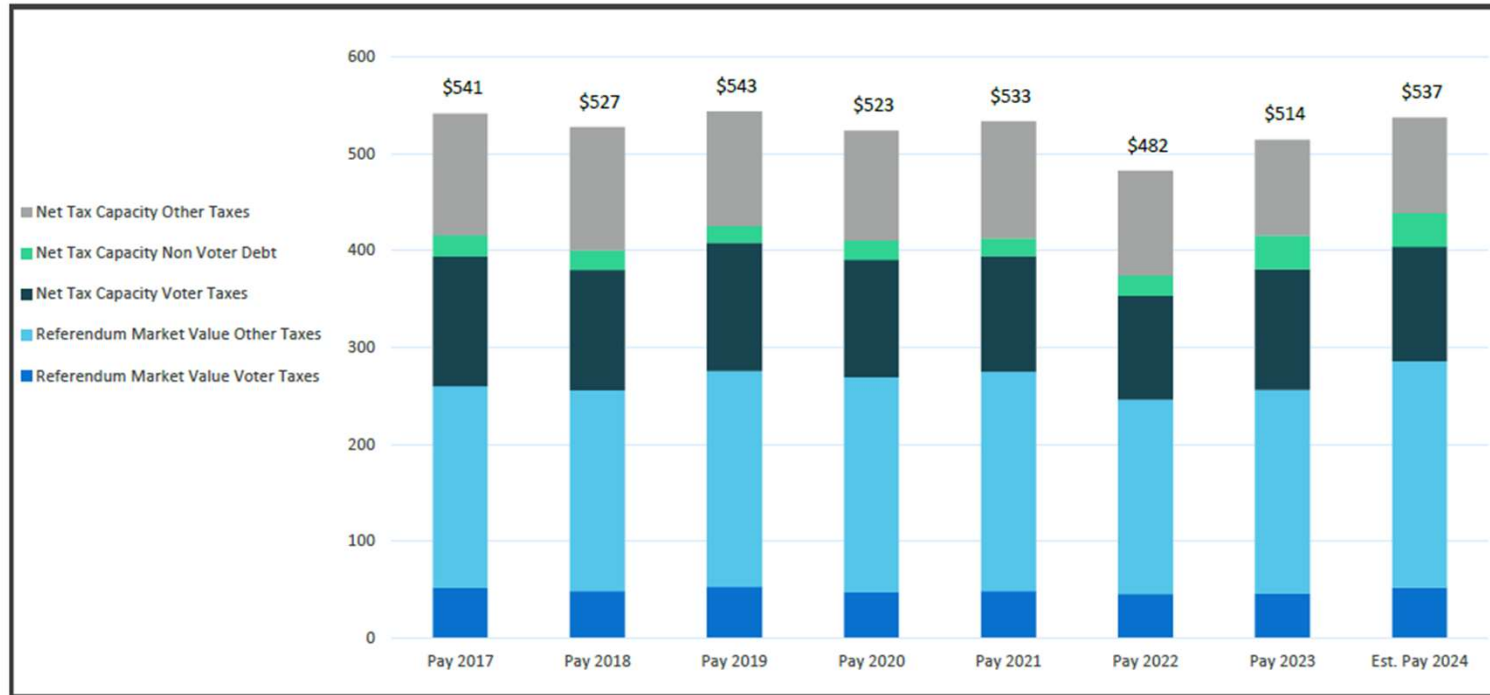
Estimated Tax Impacts - Pay 2024 Levy Total School Taxes

Summary			
	Pay 2023	Est. Pay 2024	% Change
Referendum Market Value	\$ 3,861,824,587	\$ 4,310,952,432	11.63%
RMV Tax Rate	0.11392%	0.11427%	0.31%
Net Tax Capacity	\$ 51,693,653	\$ 57,747,654	11.71%
NTC Tax Rate	12.39%	10.67%	-13.88%

Types of Property	Pay 2023 Value	Pay 2024 Est. Value	Pay 2023	Pay 2024	\$ Change	% Change
Residential Homestead (Value Increase 11%)	\$90,090	\$100,000	\$178	\$191	\$13	7.11%
	135,135	150,000	290	306	\$16	5.45%
	180,180	200,000	403	421	\$19	4.71%
	225,225	250,000	515	537	\$22	4.29%
	270,270	300,000	627	652	\$25	4.03%
	360,360	400,000	851	883	\$32	3.70%
	450,450	500,000	1,071	1,105	\$34	3.13%
Commercial / Industrial** (Value Increase 11%)	\$225,225	\$250,000	\$722	\$739	\$17	2.41%
	450,450	500,000	1,537	1,559	\$22	1.43%
	675,676	750,000	2,351	2,378	\$26	1.13%
	900,901	1,000,000	3,166	3,197	\$31	0.98%
Seasonal Recreational Res (Cabins) (Value Increase 11%)	\$90,090	\$100,000	\$112	\$107	(\$5)	-4.40%
	180,180	200,000	\$223	\$213	(\$10)	-4.40%
	270,270	300,000	\$335	\$320	(\$15)	-4.40%
	360,360	400,000	\$447	\$427	(\$20)	-4.40%
Agricultural Homestead (Value Increase 11%)	\$901	\$1,000	\$0.35	\$0.34	(\$0.01)	-3.42%
	1,802	2,000	0.70	0.67	(\$0.02)	-3.42%
	2,703	3,000	1.04	1.01	(\$0.04)	-3.42%
	3,604	4,000	1.39	1.34	(\$0.05)	-3.42%

Source: PMA Securities, LLC.

Residential Homestead School Tax Trend

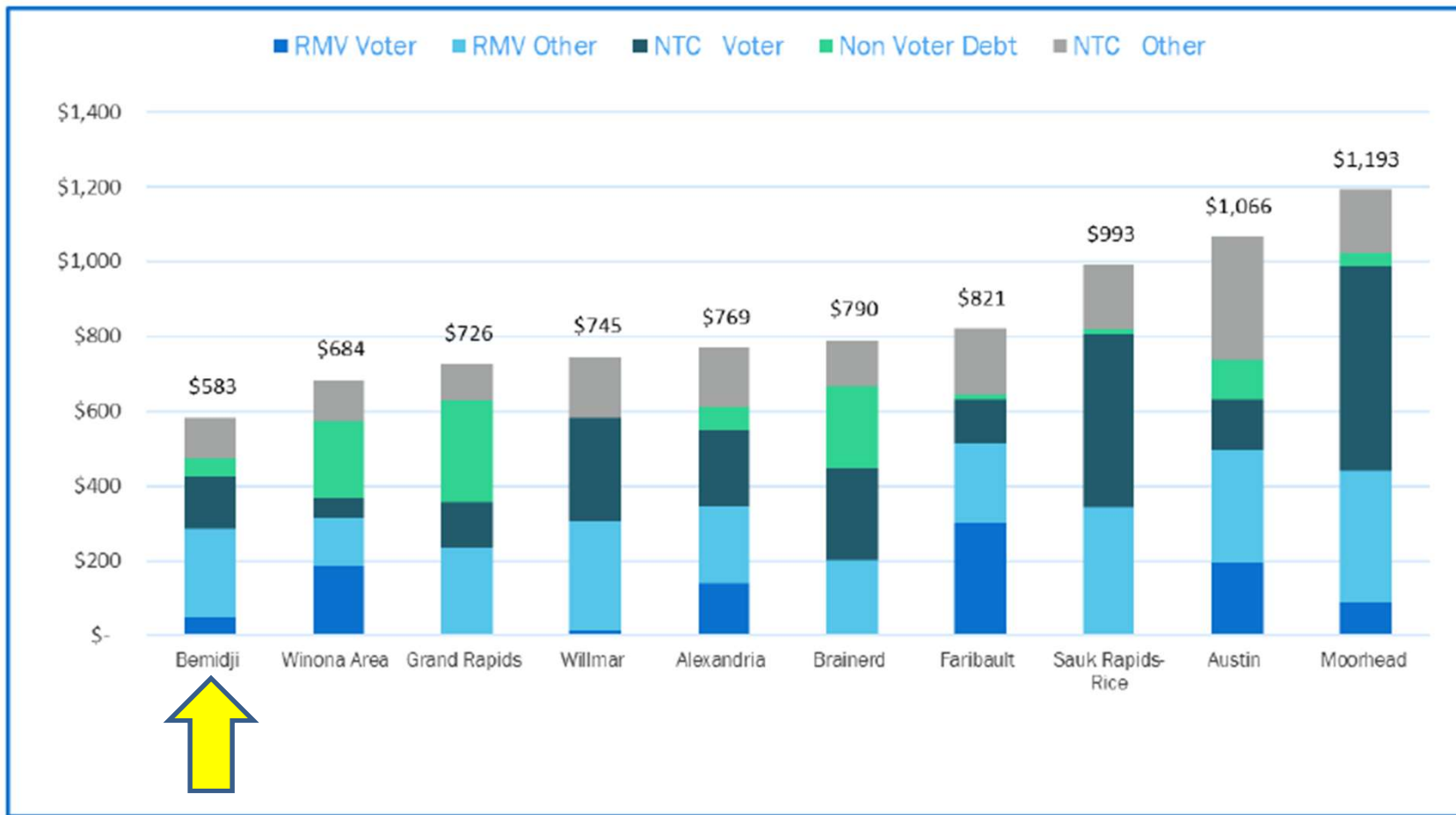


	Pay 2017	Pay 2018	Pay 2019	Pay 2020	Pay 2021	Pay 2022	Pay 2023	Est. Pay 2024
Home Value*	159,583	164,370	169,301	174,380	179,612	185,000	225,000	250,000
Referendum Market Value Voter Taxes	52	49	53	47	48	45	46	52
Referendum Market Value Other Taxes	208	207	223	222	227	200	210	234
Net Tax Capacity Voter Taxes	133	124	132	121	119	107	124	118
Net Tax Capacity Non Voter Debt	22	21	17	20	18	21	35	35
Net Tax Capacity Other Taxes	125	127	118	113	121	108	98	98
Total School Taxes	\$ 541	\$ 527	\$ 543	\$ 523	\$ 533	\$ 482	\$ 514	\$ 537

*The chart assumes a 3% annual increase in the home value for taxes payable from 2017 to 2022. A 15% increase in value is assumed for taxes payable in 2023 and a 11% increase in 2024.

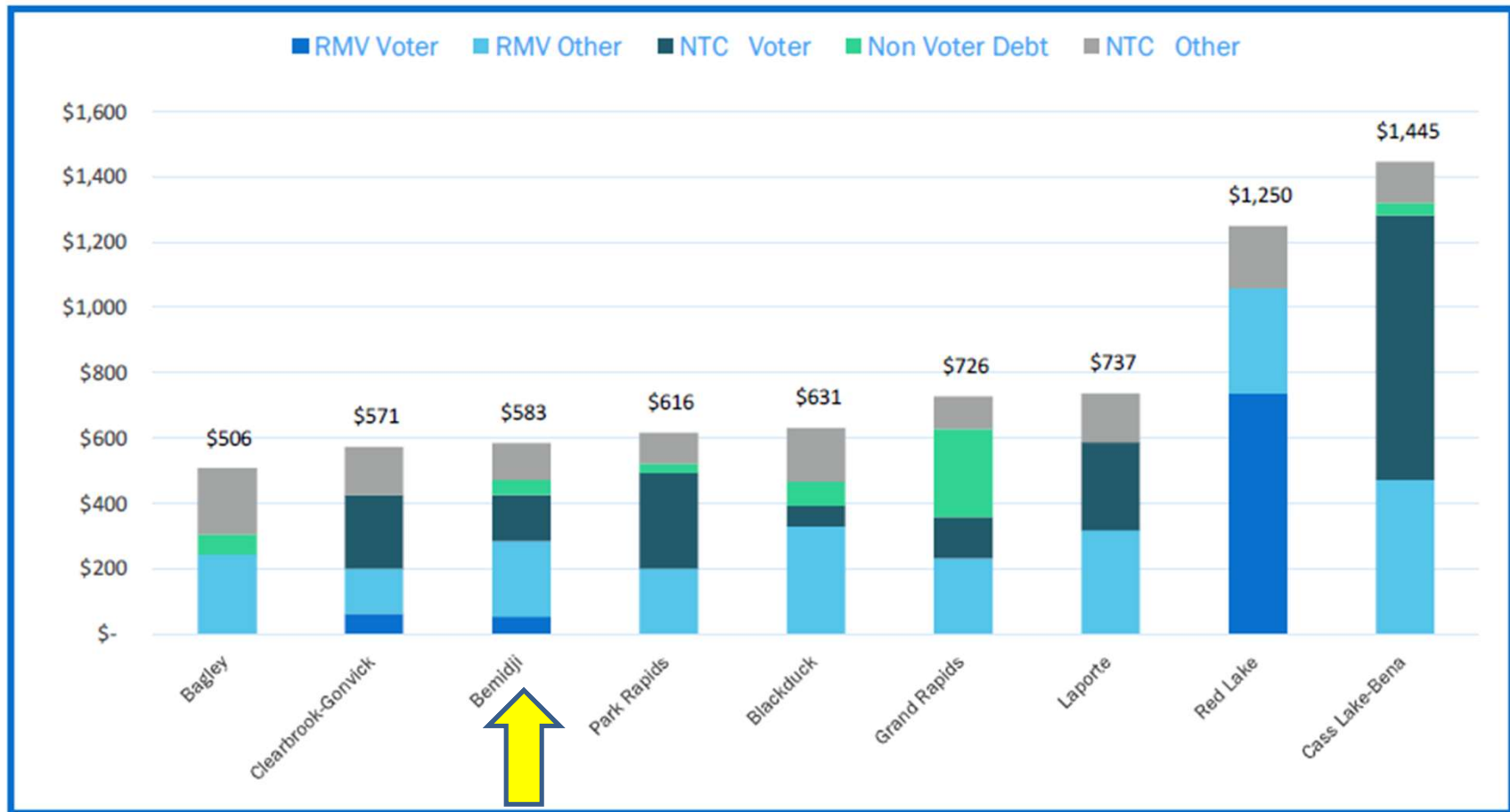
Source: PMA Securities, LLC.

Pay 2023 Tax Levies for Residential Homestead



Source: PMA Securities, LLC.

Pay 2023 Tax Levies for Residential Homestead



Source: PMA Securities, LLC.



Agenda Item: Public Comment

More Information

- State of Minnesota for Property Tax Relief
 - 1-800-652-9094
- JoDee Treat, Beltrami County Auditor
 - 218-333-4175
- Kay Rave, Hubbard County Auditor
 - 218-765-3196
- Ashley Eastridge, Bemidji Area Schools Director of Business Services
 - 218-333-3100